

SUPERINTENDENT OF PUBLIC INSTRUCTION

CHAPTER 22

SPENDING AND RESERVE LIMITS

Sub-Chapter 1

Spending and Reserve Limits

Rule 10.22.101 Definitions (IS HEREBY REPEALED)

10.22.102 General Fund Spending Limits

10.22.103 Reserve Limits

10.22.104 Unreserved Fund Balance Reappropriated

10.22.105 Overexpended Budgets

10.22.106 Petition to Increase a District's General Fund
Base for the Purpose of Calculating the General
Fund Budget Limitation (IS HEREBY REPEALED)

10.22.107 Petition to Appropriate Revenue to Fund a Prior
Year Budget Amendment (IS HEREBY REPEALED)

Sub-Chapter 2

Budget Amendments

Rule 10.22.201 Authorization for Budget Amendment Adoption

10.22.202 Petition to Superintendent of Public
Instruction (IS HEREBY REPEALED)

10.22.203 Resolution for a Budget Amendment (IS HEREBY
REPEALED)

10.22.204 Budget Amendment Limitation

10.22.205 Budget Amendment Preparation and Adoption

10.22.206 State Financial Aid for Budget Amendments (IS
HEREBY REPEALED)

NEXT PAGE IS 10-325

Sub-Chapter 1

Spending and Reserve Limits

10.22.101 DEFINITIONS (IS HEREBY REPEALED) (History: Sec. 20-9-102, MCA; IMP, Sec. 20-9-104, 20-9-315, MCA; NEW, 1990 MAR p. 508, Eff. 3/16/90; AMD, 1992 MAR p. 219, Eff. 2/14/92; REP, 1994 MAR p. 1824, Eff. 7/8/94.)

10.22.102 GENERAL FUND SPENDING LIMITS (1) If a district's current year budget does not exceed the maximum budget allowed by statute for the ensuing year, the trustees must adopt a budget for the ensuing year that is at least equal to the ensuing year's BASE budget, but not greater than the ensuing year's maximum budget.

(a) With voter approval for any increase in the over-BASE levy amount, the trustees may adopt a budget up to the ensuing year's maximum budget and not less than the ensuing year's BASE budget.

(2) The trustees of a district that has always adopted a budget above maximum since FY 2000, and whose current year budget exceeds the maximum budget for the ensuing fiscal year, must:

(a) adopt a budget that is at least equal to the ensuing year BASE budget and not more than the lesser of either:

(i) the district's current year budget; or

(ii) the ensuing year's maximum budget plus the difference between the current year budget and the current year maximum budget amount;

(b) obtain voter approval for the over-maximum budget amount.

(3) The trustees of a school district that was equalized in the current year and whose current year budget exceeds the ensuing year's maximum budget due to an enrollment decrease of less than 30%, must:

(a) adopt a general fund budget that is at least equal to the ensuing year's BASE budget and not more than the current year budget;

(b) obtain voter approval for the over-maximum amount of budget;

(c) within five years of first adopting a budget which exceeds maximum due to an enrollment decrease of less than 30%, adopt a budget which does not exceed the district's maximum budget amount; and

(d) before adopting a general fund budget that exceeds the maximum budget, adopt a written plan to reach the district's maximum general fund budget as provided in (3)(c).

(4) The trustees of a school district that was equalized and whose current year general fund budget is greater than the maximum general fund budget established for the ensuing fiscal year due to an enrollment decrease of 30% or more must:

(a) adopt a general fund budget that is:

(i) at least equal to the ensuing year's BASE budget; and

(ii) not more than:

(A) in the first year following the enrollment decline, the ensuing year maximum plus [the prior year budget less the ensuing year maximum, times 80%];

(B) in the second year following the enrollment decline, the ensuing year maximum plus [the prior year budget less the ensuing year maximum, times 75%];

(C) in the third year following the enrollment decline, the ensuing year maximum plus [the prior year budget less the ensuing year maximum, times 66.7%];

(D) in the fourth year following the enrollment decline, the ensuing year maximum plus [the prior year budget less the ensuing year maximum, times 50%];

(E) in the fifth year following the enrollment decline, the ensuing year maximum.

(b) obtain voter approval for the over-maximum budget amount;

(c) within five years of first adopting a budget which exceeds maximum due to an enrollment decrease of 30% or more, adopt a budget within the limits of (1).

(5) The percentage of enrollment decrease for purposes of (3) and (4) is calculated by subtracting the ensuing year's ANB from the current year's ANB, dividing the result by the current year's ANB, and rounding up to the nearest whole number.

(6) For a non-operating district that is reopening, budget limitations for the general fund shall be based on the last operating year's budget for the general fund. This budget will be considered the prior year's budget and used in calculations to determine budget limitations for the year of reopening. These budget limitation calculations may not allow a general fund budget below BASE or above maximum as calculated for the year of reopening.

(a) For a non-operating district that reopens a school under 20-6-502, MCA, the applicability of school isolation provisions in 20-9-302, MCA, will be determined by the ANB in the last operating year and the ANB in the year the school reopens.

(7) For purposes of determining the spending limit for a school district participating in a full service cooperative for special education programs, the BASE budget amount and maximum general fund budget may include a portion of the payments received by the full service cooperative in support of special education programs. The state superintendent of public instruction will notify each school district participating in a cooperative of its payments for use in setting its BASE budget and maximum general fund budget for the ensuing school fiscal year.

(8) A district that, after adopting a budget at or below the maximum general fund budget for at least one year, subsequently adopts a budget exceeding the maximum general fund budget under the provisions of 20-9-308, MCA, for declining enrollment, shall budget within the restrictions of the same mandatory five year phase-in for that category provided in 20-9-308, MCA, until the district budget is at or below the maximum general fund budget.

(9) The state superintendent of public instruction shall monitor the general fund budgets of each school district to ensure compliance with the spending limits established in 20-9-308, MCA. The state superintendent of public instruction may request a revised budget from any district whose general fund budget is not within the limits using the guidelines established in ARM 10.10.503. (History: Sec. 20-9-102, MCA; IMP, Sec. 20-9-308, 20-9-315, MCA; NEW, 1990 MAR p. 508, Eff. 3/16/90; AMD, 1992 MAR p. 219, Eff. 2/14/92; AMD, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 1996 MAR p. 2168, Eff. 8/9/96; AMD, 1998 MAR p. 1719, Eff. 6/26/98; AMD, 2000 MAR p. 632, Eff. 2/25/00; AMD, 2002 MAR p. 1740, Eff. 6/28/02; AMD, 2004 MAR p. 1613, Eff. 7/23/04.)

10.22.103 RESERVE LIMITS (1) The amount of general fund end-of-year balance designated as operating reserve may not exceed 10% of the adopted general fund budget for the ensuing school fiscal year or \$10,000, whichever is greater.

(2) The amount earmarked as reserves can exceed the limitations of (1) by a combination of one or more of the unused balances described in 20-9-104(5), MCA.

(3) Amounts that have been identified in (2) cannot be identified as reserves in excess of the operating reserve unless the limitation of operating reserves in 20-9-104, MCA, which is the greater of either 10% of ensuing year's budget or \$10,000, has been met.

(4) Reserves are reidentified each year when budgeting for the ensuing year. After the fund balance for the general fund budget is determined and the operating reserve is fully met, the trustees may determine any revenues that have been received by the district in the current year according to 20-9-104(5), MCA. This amount must only include revenues received that were protested and/or delinquent from a prior tax year. The amount must not include revenues received which were protested and delinquent taxes from the current tax year. Current year interest earned on money held as excess reserve amounts may not be included as additional excess reserves. Interest on excess reserves is general fund non-levy revenue. However, current year receipts of penalties and interest on protested and delinquent taxes from the current or prior years may be included in the reserve. The amount identified may be added to the current year's identified excess reserves, minus amounts used in the current year for budget amendments for deferred projects, minus amounts used to fund the ensuing year's budget. Total operating and excess reserves must not exceed the fund balance available for those reserves.

(5) OPI shall monitor the general fund budget of each school district to ensure compliance with the reserve limits established in 20-9-104, MCA. The superintendent of public instruction may request a revised budget from any district whose reserves do not comply with the limit using the guidelines established in ARM 10.10.503. (History: Sec. 20-9-102, MCA; IMP, Sec. 20-9-104, MCA; NEW, 1990 MAR p. 508, Eff. 3/16/90; AMD, 1992 MAR p. 219, Eff. 2/14/92; AMD, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 1996 MAR p. 2168, Eff. 8/9/96; AMD, 2000 MAR p. 632, Eff. 2/25/00.)

10.22.104 UNRESERVED FUND BALANCE REAPPROPRIATED (1) Any unreserved general fund end-of-the-year balance must be reappropriated to be used for property tax reduction, in accordance with 20-9-308 and 20-9-141, MCA.

(2) The amount reappropriated must be used to reduce the amount of additional financing required to fund a district's general fund budget in excess of the direct state aid and the special education payment for the district.

(3) The amount reappropriated must be applied in the following order:

(a) first, to reduce the revenue needed to be raised to fund the BASE budget as defined in 20-9-306, MCA; and

(b) second, to reduce the amount needed to be raised to fund any over-BASE budget amount.

(4) Subsection (3) does not apply if the amount reappropriated is less than or equal to any unspent amount of excess reserves identified on the final budget of the prior year as provided in ARM 10.22.103. If the trustees of a district elect to use excess reserves to reduce property taxes in the ensuing school fiscal year, the reappropriated amount may be used to reduce the levy for any portion of the general fund budget. (History: Sec. 20-9-102, MCA; IMP, Sec. 20-9-104, 20-9-105, MCA; NEW, 1990 MAR p. 508, Eff. 3/16/90; AMD, 1992 MAR p. 219, Eff. 2/14/92; AMD, 1992 MAR p. 2143, Eff. 9/25/92; AMD, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 1996 MAR p. 2168, Eff. 8/9/96.)

10.22.105 OVEREXPENDED BUDGETS (1) Section 20-9-133, MCA, limits the trustees, all officers and employees of a district from making expenditures or incurring liabilities that will cause budgeted funds, as identified in 20-9-201, MCA, to be overexpended. The exception is for the debt service fund for the reasons listed in 20-9-133, MCA.

(2) Expenditures made, liabilities incurred or warrants issued in excess of any final budget shall not be the liability of the district and no district money shall be used to pay the same as per 20-9-133, MCA.

(3) Section 20-3-332, MCA, states that if the trustees of a district fail or refuse to be responsible for the proper administration and utilization of all district money, it shall constitute grounds for removal from office.

(4) When the superintendent of public instruction becomes aware that a district has overexpended a fund's budget, the superintendent may notify the district's board of trustees and request an explanation for the overexpenditure.

(a) The trustees shall respond in writing within 30 calendar days of receiving the superintendent's notification and shall include in their response a description of the changes and/or controls that have, or will be, put in place at the district to prevent a reoccurrence of the situation that created the budget overdraft.

(5) Upon receiving the trustees' response, the superintendent will determine whether further action is warranted and, if so, will notify the county attorney for the county that the district is located in and will also notify the board of public education. (History: Sec. 20-9-102, MCA; IMP, Sec. 20-3-332, 20-9-133, 20-9-315, MCA; NEW, 1992 MAR p. 219, Eff. 2/14/92; AMD, 1996 MAR p. 2168, Eff. 8/9/96; AMD, 2000 MAR p. 632, Eff. 2/25/00.)

10.22.106 SUPERINTENDENT OF PUBLIC INSTRUCTION

10.22.106 PETITION TO INCREASE A DISTRICT'S GENERAL FUND
BASE FOR THE PURPOSE OF CALCULATING THE GENERAL FUND BUDGET
LIMITATION (IS HEREBY REPEALED) (History: Sec. 20-9-102, MCA;
IMP, Sec. 20-9-147, MCA; NEW, 1992 MAR p. 219, Eff. 2/14/92;
REP, 1994 MAR p. 1824, Eff. 7/8/94.)

10.22.107 PETITION TO APPROPRIATE REVENUE TO FUND A PRIOR
YEAR BUDGET AMENDMENT (IS HEREBY REPEALED) (History: Sec. 20-
9-102, MCA; IMP, Sec. 20-9-147, 20-9-161, 20-9-168, 20-9-308,
20-9-315, 20-9-353, MCA; NEW, 1992 MAR p. 219, Eff. 2/14/92;
AMD, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 1996 MAR p. 2168, Eff.
8/9/96; REP, 2000 MAR p. 632, Eff. 2/25/00.)

Sub-Chapter 2

Budget Amendments

10.22.201 AUTHORIZATION FOR BUDGET AMENDMENT ADOPTION

(1) Section 20-9-161, MCA, authorizes the trustees of a school district to amend an adopted budget of the district for the reasons provided in 20-9-161(1) through (6), MCA.

(2) Whenever the trustees of a district decide that a budget amendment is necessary, they shall proceed as follows:

(a) Proclaim the need for a budget amendment in accordance with 20-9-162, MCA;

(b) Petition the state superintendent for permission to adopt a resolution for a budget amendment if the amendment is for an enrollment increase;

(c) Provide public notice of the budget amendment resolution in accordance with 20-9-164, MCA;

(d) Adopt the budget amendment resolution by a majority vote at a public meeting; and

(e) Provide copies of the adopted budget amendment resolution to the county superintendent and state superintendent of public instruction in accordance with 20-9-165, MCA.

(3) A budget amendment for an unanticipated enrollment increase may not be adopted until after the first Monday in October, but must be adopted within the fiscal year to which the unanticipated enrollment increase applies.

(4) A budget amendment for any reason other than an unanticipated enrollment increase may be adopted at any time after the final budget is adopted and before June 30 of the school fiscal year.

(5) Budget amendment petitions for unanticipated enrollment increases must be received by the superintendent of public instruction by May 31 of the school fiscal year to which the budget amendment applies. The superintendent of public instruction will consider budget amendment petitions after May 31 only under exceptional circumstances that could not be foreseen by the district trustees as of May 31.

(6) A budget amendment may be adopted under the provisions of 20-9-161(5)(e), MCA, to expend all or a portion of taxes received in the current year and identified under the provisions of 20-9-161(5)(a) through (d), MCA.

(7) A budget amendment may be adopted under the provisions of 20-9-161(5)(e), MCA, to expend all or a portion of the taxes received in a prior year that have been identified as excess reserves under the provisions of 20-9-104(5), MCA, and ARM 10.22.103(3) and (4). (History: Sec. 20-9-102, MCA; IMP, Sec. 20-9-161 through 20-9-165, MCA; NEW, 1992 MAR p. 222, Eff. 2/14/92; AMD, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 1996 MAR p. 2168, Eff. 8/9/96.)

10.22.202 SUPERINTENDENT OF PUBLIC INSTRUCTION

10.22.202 PETITION TO SUPERINTENDENT OF PUBLIC INSTRUCTION
(IS HEREBY REPEALED) (History: Sec. 20-9-102, MCA; IMP, Sec. 20-9-163, MCA; NEW, 1992 MAR p. 222, Eff. 2/14/92; AMD, 1994 MAR p. 1824, Eff. 7/8/94; REP, 1996 MAR p. 2168, Eff. 8/9/96.)

10.22.203 RESOLUTION FOR A BUDGET AMENDMENT (IS HEREBY REPEALED) (History: Sec. 20-9-102, 20-9-163, MCA; IMP, Sec. 20-9-163, MCA; NEW, 1992 MAR p. 222, Eff. 2/14/92; REP, 1994 MAR p. 1824, Eff. 7/8/94.)

10.22.204 BUDGET AMENDMENT LIMITATION (1) When the budget amendment is for increased enrollment, the maximum amount of the budget amendment for each fund affected must be determined as follows:

(a) Determine the final budget for the current school fiscal year of each fund affected by the enrollment increase (less any amounts appropriated for capital outlay and any amounts appropriated for addition to the operating reserve).

(b) Divide the amount determined in (1)(a) by the prior fiscal year enrollment used to calculate current fiscal year ANB in accordance with 20-9-311, MCA, and ARM 10.20.102. The resulting per-pupil cost is the maximum permissible per-pupil expenditure for the budget amendment.

(c) Determine the total enrollment increase for the current year in accordance with ARM 10.20.105(1)(a) through (c). The enrollment count for the current year that will be used to calculate an increase in enrollment will be the October enrollment count as reported to OPI on the fall report (FR-4) or, for petitions received after February 1, the February count reported to OPI on the spring enrollment report.

(d) Multiply the cost per pupil determined in (1)(b) by the enrollment increase determined in (1)(c). The result is the maximum limitation on a budget amendment for amendments resulting from enrollment increases.

(e) In no case may the district adopt a budget amendment for an enrollment increase that causes the district to exceed the maximum general fund budget as adjusted by the superintendent of public instruction in accordance with 20-9-163, MCA. The maximum general fund budget will be adjusted as follows:

(i) Determine the enrollment increase for each budget unit within the elementary level or the high school level in accordance with ARM 10.20.105(2)(b).

(ii) Prorate the total enrollment increase for the current year determined in (1)(c) to each budget unit by multiplying the total enrollment increase by the ratio of the enrollment increase by budget unit determined in (1)(e)(i) to the total enrollment increase determined in (1)(c). Round the result of the calculation to the nearest hundredth (.xx).

(iii) Determine the current year's adjusted ANB used to adjust the maximum general fund budget for each budget unit by:

(A) summing the prior year enrollment as defined in ARM 10.20.105(1)(b) by budget unit and the enrollment increase by budget unit as calculated in (1)(e)(ii);

(B) multiplying the sum in (1)(e)(iii)(A) by the total of PI days and PIR days approved for the current year, and dividing the total by 180; and

(C) rounding the ANB up to the nearest whole number.

(iv) Calculate the basic entitlement and total per-ANB entitlement using the adjusted ANB as calculated in (1)(e)(iii)(C).

(v) Subtract the basic entitlement and total per-ANB entitlement calculated using the ANB based on the prior year average enrollment from the basic entitlement and total per-ANB entitlement calculated in (1)(e)(iv).

(vi) Determine the adjusted maximum general fund budget by adding the amount calculated in (1)(e)(v) to the current year maximum general fund budget reported on the budget form for the current fiscal year.

(2) For budget amendments other than those due to enrollment increases, the budget amendment is limited to the expenditures considered by the trustees to be reasonable and necessary to finance the conditions of the budget amendment. The budget amendment must include an expenditure detail. (History: Sec. 20-9-102, MCA; IMP, Sec. 20-9-165, MCA; NEW, 1992 MAR p. 222, Eff. 2/14/92; AMD, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 1996 MAR p. 2168, Eff. 8/9/96; AMD, 2000 MAR p. 632, Eff. 2/25/00.)

10.22.205 BUDGET AMENDMENT PREPARATION AND ADOPTION

(1) The adopted budget amendment must be signed by the presiding officer of the trustees and the clerk of the district. Copies must be sent to the county superintendent and the superintendent of public instruction within 30 days after the adoption of the budget amendment.

(2) Upon receipt of the budget amendment resolution, the office of public instruction will assign a project reporter number to the budget amendment to be used for accounting purposes. The expenditures related to the budget amendment must be accounted for separately using a project reporter number assigned by the office of public instruction.

(3) Whenever a budget amendment has been adopted for:

(a) the general fund to finance the cost of increased enrollment, the trustees may apply to the superintendent of public instruction for an increase in direct state aid as provided in 20-9-166, MCA, and ARM 10.20.103(2); or

(b) the transportation fund, the trustees may apply to the superintendent of public instruction for additional state transportation aid as provided in 20-9-166, MCA, and ARM 10.7.107.

(4) The state superintendent's receipt of an adopted budget amendment resolution signed by the presiding officer of the trustees and the district clerk shall be considered the district's application for additional state assistance under a budget amendment. The superintendent of public instruction shall approve or disapprove each application for increased direct state aid or additional transportation aid made in accordance with 20-9-166, MCA. (History: Sec. 20-9-102, MCA; IMP, Sec. 20-9-165, 20-9-166, MCA; NEW, 1992 MAR p. 222, Eff. 2/14/92; AMD, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 1996 MAR p. 2168, Eff. 8/9/96; AMD, 2000 MAR p. 632, Eff. 2/25/00; AMD, 2002 MAR p. 1740, Eff. 6/28/02.)

10.22.206 STATE FINANCIAL AID FOR BUDGET AMENDMENTS (IS HEREBY REPEALED) (History: Sec. 20-9-102, MCA; IMP, Sec. 20-9-165, MCA; NEW, 1994 MAR p. 1824, Eff. 7/8/94; REP, 1996 MAR p. 2168, Eff. 8/9/96.)